

## Message Text

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R 281310Z JUL 76

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TO SECSTATE WASH DC 3019

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PASS TO AID/PPC

E.O. 11652: N/A

TAGS: EAID, EFIN, EIND, EINV, TECH, OECD

SUBJECT: SPECIAL OECD MEETING WITH BIAC AND TUAC ON  
INDUSTRIAL AND TECHNOLOGICAL COOPERATION WITH DEVELOPING  
COUNTRIES - JULY 7, 1976.

1. SUMMARY. MEETING WAS WITH BUSINESS AND ADVISORY  
COMMITTEE (BIAC) ALONE, SINCE TRADE UNION ADVISORY COM-  
MITTEE (TUAC) DECIDED NOT TO PARTICIPATE. USEFUL EX-  
CHANGE OF VIEWS TOOK PLACE BETWEEN STRONG CIAC DELEGA-  
TION AND OECD GOVERNMENTS CONCERNING INDUSTRIAL AND  
TECHNOLOGICAL COOPERATION WITH LDC'S. UNFORTUNATELY,  
MEETING WAS MARRED SOMEWHAT BY CERTAIN ANTI-BUSINESS AT-  
TITUDES EXPRESSED BY BELGIAN, DUTCH, AND SWEDISH DELE-  
GATES. END SUMMARY.

2. DAC CHAIRMAN WILLIAMS WAS CHAIRMAN. MR. T. J. BATA,  
CHAIRMAN OF THE BOARD OF BATA, CANADA, LED STRONG 19-  
MEMBER BIAC TEAM, INCLUDING EUROPEAN, JAPANESE AND AMER-  
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ICAN BUSINESSMEN AND FINANCIERS. MEETING WAS WITH BUSI-

NESS AND ADVISORY COMMITTEE (BIAC) ALONE, SINCE TRADE UNION ADVISORY COMMITTEE (TUAC) HAD DECIDED JUST A FEW DAYS EARLIER NOT TO ATTEND. NO OFFICIAL REASONS OFFERED BY TUAC OR OECD SECRETARIAT FOR WITHDRAWAL, BUT GENERAL FEELING PREVAILED THAT TUAC OFFICIALS WERE RELUCTANT TO SIT TOGETHER WITH BIAC AT SAME MEETING, ESPECIALLY SINCE STRONG BIAC DELEGATION MIGHT BE MORE KNOWLEDGEABLE IN AGENDA TOPICS AND BETTER AT DEBATE.

3. BIAC CHAIRMAN BATA OPENED MEETING WITH GENERAL STATEMENT SETTING TONE FOR MORE SPECIFIC PRESENTATIONS TO FOLLOW. HE HIGHLIGHTED WELL-KNOWN BENEFITS OF INDUSTRIALIZATION AND PRIVATE ENTERPRISE TO DEVELOPING COUNTRIES. EMPHASIZED IMPORTANCE OF LDC'S GAUGING WORLD MARKET POTENTIAL WHEN ESTABLISHING INDUSTRIALIZATION GOALS, AND STRESSED STRONG POTENTIAL OF REGIONAL MARKETS FOR LDC PRODUCTS.

4. MR. P. ROGERS, A DIRECTOR OF OLIVETTI, CLAIMED THAT INTERNATIONAL BUSINESS AND INDIVIDUAL ENTREPRENEURSHIP ARE VERY DISCOURAGED BECAUSE OF BAD PSYCHOLOGICAL AND POLITICAL ATMOSPHERE THROUGHOUT THE WORLD. MANY VIEWS, STATEMENTS, AND SLOGANS USED TO ATTACK BUSINESS ARE COMPLETELY UNREALISTIC. HE SAID LDC'S ARE NOT WEAK IN DEALING WITH COMPANIES, DESPITE SLOGANS TO THE CONTRARY. MEANINGFUL NEGOTIATIONS WITH MANY G-77 GOVERNMENTS OFTEN ARE IMPOSSIBLE BECAUSE OF UNFOUNDED ATTITUDES AND SUSPICIONS. THE VOICES OF BUSINESS AND THE PRIVATE SECTOR MUST BE HEARD MORE, BUT THIS IS MOST DIFFICULT TO ACHIEVE TODAY. OTHER STRONG STATEMENTS IN SUPPORT OF PRIVATE SECTOR CONTRIBUTIONS TO THE DEVELOPMENT PROCESS WERE MADE BY MR. E. KELLER OF ADELA, J. BLAIR OF SHELL INTERNATIONAL, AND DR. KREBS OF DEUTSCHE BANK AG. UNIDO WAS CRITICIZED SEVERAL TIMES BY BIAC SPOKESMEN AS BEING TOO THEORETICAL AND IMPRACTICAL.

5. OTHER SPECIFIC TOPICS COVERED BY BIAC WERE:

A. TRAINING--SPOKESMEN STRESSED FUNDAMENTAL IMPORTANCE OF TRAINING LDC MANPOWER IN BOTH TECHNOLOGY AND MANAGEMENT SKILLS, IN ORDER TO IMPROVE THEIR CAPACITY TO ABSORB INTERMEDIATE AND MODERN TECHNOLOGY.

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B. INVESTMENT CLIMATE--NOTED OBVIOUS NECESSITY OF MAINTAINING FAVORABLE INVESTMENT CLIMATE IN DEVELOPING COUNTRIES TO HELP ATTRACT SCARCE CAPITAL RESOURCES FROM INVESTORS. ONE BUSINESSMAN POINTED OUT THAT COMPANIES ARE NOT LINING UP TO INVEST IN LDC'S SINCE THERE ARE PLENTY

OF PROFITABLE INVESTMENT OPPORTUNITIES IN THE WEST. BUT  
BUSINESS WILL WORK IN LDC'S WHERE THERE IS SOUND ECON-  
OMIC AND FINANCIAL JUSTIFICATION TO DO SO.

C. NEW INSTITUTIONS--MOST REPS FELT THAT MORE ATTEMPTS  
SHOULD BE MADE TO BETTER INTEGRATE THE MANY NEW PROPOSED

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MULTILATERAL INSTITUTIONS WITH EXISTING ORGANIZATIONS  
AND PROGRAMS IN ORDER TO AVOID OVERLAP AND NOT ACTUALLY  
CREATE MORE OBSTACLES TO THE FREER FLOW OF INVESTMENT.  
SOME CRITICIZED THE GREAT NUMBER OF FORA IN WHICH THE  
SAME INDUSTRIALIZATION SUBJECTS ARE BEING DISCUSSED.

D. CODE OF CONDUCT--ALL BIAC REPS FAVORED A NON-BINDING  
CODE OF CONDUCT FOR TECHNOLOGY TRANSFER.

E. RESTRUCTURING AND TRANSFER OF WEALTH--THEY REAFFIRM-  
ED THAT IT IS UNREALISTIC TO CONSIDER GOVERNMENT-  
SPONSORED REDEPLOYMENT OF INDUSTRY TO LDC'S. SAID THAT

BEST WAY FOR LDC'S TO GROW IS TO ASSIST IN CREATING AND MAINTAINING A STRONG AND GROWING WORLD ECONOMY, PARTICIPATING WITH AND PROFITING FROM THIS GROWING ECONOMY ALONG WITH DC'S.

F. SOCIAL RESPONSIBILITIES OF COMPANIES--SAID THAT ALMOST ALL PRIVATE FIRMS ARE AWARE OF AND TAKE APPROPRIATE STEPS REGARDING THEIR SOCIAL RESPONSIBILITIES, BUT THERE UNCLASSIFIED

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ARE REASONABLE LIMITS TO WHAT THEY CAN OR SHOULD DO. NOTED THAT COMPANIES COULD NOT GO BACK TO A KIND OF PATERNAL RELATIONSHIP WITH HOST COUNTRY EMPLOYEES WITHOUT INTERFERING WITH THE TASKS AND RESPONSIBILITIES OF LDC GOVERNMENTS.

G. INTERGOVERNMENTAL AGREEMENTS--BIAC FINDS THESE BILATERAL AGREEMENTS USEFUL TO PRIVATE INDUSTRY OPERATIONS, ESPECIALLY IN HELPING TO DEAL WITH TRADE AND OTHER COMMERCIAL DISPUTES.

6. FOLLOWING BIAAC PRESENTATIONS, OECD BEGAN TO SPEAK FREELY. NETHERLANDS AND SWEDEN REPS (MOURIK AND RYLANDER OF OECD PERMANENT DELEGATIONS RESPECTIVELY) SURPRISED THE BUSINESSMEN BY EXPRESSING OPINIONS WHICH IN MANY CASES LEANED TOWARD G-77 POSITIONS, ESPECIALLY STRESSING NEED AND IMPORTANCE OF INCREASED SOCIAL RESPONSIBILITY IN FOREIGN PRIVATE SECTOR ACTIVITIES IN LDC'S. DUTCH DELEGATE SAID THAT SOCIAL RESPONSIBILITY OF INTERNATIONAL BUSINESS COMMUNITY QUOTE MUST EXTEND BEYOND FACTORY WALLS UNQUOTE. BOTH COUNTRIES POINTED OUT THAT G-77 WAS VERY CRITICAL OF ROLE OF PRIVATE INVESTMENT AND ASKED BIAAC WHAT THEY COULD SAY TO COUNTER THESE CRITICISMS. DUTCH DWELT ON SUBJECT OF RELATIVE STRENGTHS IN NEGOTIATIONS BETWEEN LDC'S AND MULTINATIONALS; DISAGREEING WITH BIAAC, HE SAID THAT LDC PARTNERS IN BUSINESS RELATIONSHIP WITH MNE'S ARE DEFINITELY WEAKER AND CANNOT SURVIVE ON EQUAL BASIS WITHOUT HELP. HE ALSO SAID INTERNATIONAL BUSINESS AND INDUSTRY IS RESPONSIBLE FOR SUPPLYING LDC'S WITH NEEDED BUSINESS MANAGEMENT CAPABILITIES.

7. UK REP (HAGESTADT OF DEPT. OF INDUSTRY, LONDON) QUESTIONED USEFULNESS OF INTERNATIONAL ORGANIZATIONS AND MEETINGS IN INDUSTRIALIZATION PROCESS AND JOINED BIAAC IN CRITICIZING UNIDO. FRENCH DEL (BLANC) DEFENDED INTERNATIONAL CONFERENCES AND ORGANIZATIONS AS ONLY FORUMS IN WHICH LDC'S AS A BLOC CAN MAKE THEMSELVES FELT. HE SAID THEIR POSITIONS NOT AS RIGID AS THEY SOMETIMES SEEM. ALSO ASKED WHAT WOULD BE ALTERNATIVE IN LONG RUN IF DC'S

REFUSED TO DISCUSS THESE MATTERS IN INTERNATIONAL FORA  
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WITH LDC'S. U.S. SPOKESMAN (BRAMANTE) NOTED THAT DEVELOPMENT PROCESS IS IMPORTANT TO WEST AS WELL AS LDC'S. WE SAID THAT DEVELOPMENT OBJECTIVES SHOULD BE BASED ON REASONABLE SHARING OF RIGHTS AND RESPONSIBILITIES, THAT IT IS IMPORTANT TO CLARIFY EXTENT AND LIMITS OF DIRECT GOVERNMENT ACTION, AND MADE POSITIVE CASE FOR ROLE OF DIRECT PRIVATE INVESTMENT IN DEVELOPMENT PROCESS. IN LATER INTERVENTION WE RESPONDED TO DEVELOPMENT COOPERATIVE DIRECTORATE QUESTIONS ON STATUS OF OUR TECHNOLOGY TRANSFER INITIATIVES, ESPECIALLY INTERNATIONAL INDUSTRIALIZATION INSTITUTE, TECHNOLOGY CORPS, AND INTERNATIONAL CENTER FOR EXCHANGE OF INFORMATION. EC REP (RETHINKER OF DEVELOPMENT OFFICE) ALSO DEFENDED INTERNATIONAL CONSULTATIONS AS WAY OF AVOIDING MORE DANGEROUS CONFRONTATIONS.

8. AFTERNOON SESSION SAW CRITICISM OF BUSINESS FROM BELGIUM IN ADDITION TO DUTCH AND SWEDES. BELGIAN REP (PROFESSOR MATON FROM GAND UNIVERSITY, WHO IS A MEMBER OF VARIOUS GOVERNMENT COMMITTEES IN BRUSSELS) MADE A LENGTHY ATTACK ON BOTH BIAC REPS AND OECD DEVELOPMENT COOPERATION DIRECTORATE. MATON SAID HE WAS MOST SURPRISED AT THE CONDUCT OF THE MEETING; INSTEAD OF A

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PRACTICAL, PRAGMATIC DISCUSSION OF ISSUES, HE CLAIMED, BIAC OFFERED NOTHING BUT NEGATIVE COMMENTS AND ATTITUDES REGARDING THE REQUESTS AND DEMANDS OF THE LDC'S. ACCUSING BIAC OF HARBORING 19TH CENTURY ATTITUDES ON TRADE AND INVESTMENT, HE SAID THAT BIAC WAS UNCOOPERATIVE ON KEY ISSUES SUCH AS LDC DEBT, TRADE, AND TRANSFER OF TECHNOLOGY. ALSO CLAIMED THAT OECD DISCUSSION PAPERS WRITTEN IN BIASED MANNER. HE ABRUPTLY ENDED HIS INTERVENTION, BUT SUBSEQUENTLY INTERRUPTED RESPONSES BY BIAC SPOKESMEN WITH SHOUTED QUESTIONS, ASKING AMONG OTHER THINGS WHAT PRIVATE INDUSTRY IN THE WEST IS DOING ABOUT ANTICIPATORY RESTRUCTURING, REDEPLOYMENT, AND WORLD FOOD PROBLEMS. HIS IDEOLOGICAL APPROACH SURPRISED OTHER DELEGATES, AND ALONG WITH DUTCH AND SWEDISH VIEWS, GAVE ALMOST A G-77 FLAVOR TO THE LATTER PART OF THE MEETING DESPITE EFFORTS BY US, EC, FRANCE, AND CHAIRMAN WILLIAMS TO INTRODUCE BALANCE AND DEFEND BUSINESSMEN. BIAC REPS RESPONDED TO MATON REASONABLY, AVOIDING OPEN ANGER. BUT NECESSITY OF BIAC TO DEFEND PRIVATE BUSINESS AND ENTERPRISE AGAINST OSTENSIBLY FRIENDLY GROUP OF INDUSTRIAL UNCLASSIFIED

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COUNTRY GOVERNMENTS GAVE UNFORTUNATE IDEOLOGICAL TURN TO THE MEETING.  
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## Message Attributes

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